Agenda – Executive Policy Committee – September 16, 2025

Report – Standing Policy Committee on Water, Waste and Environment – September 9, 2025

Item No. 1 Request for Budget Revision for the NEWPCC Upgrade: Power Supply and Headworks Facilities and Approval of Contract Over-Expenditure No. 14 - Request for Proposal No. 659-2018B

STANDING COMMITTEE RECOMMENDATION:

On September 9, 2025, the Standing Policy Committee on Water, Waste and Environment concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That a budget increase of $47.5 million be approved for the NEWPCC Upgrade: Power Supply and Headworks Facilities Capital Budget to be funded through Environmental Projects Reserve.

2. That Contract Over-Expenditure No. 14 in the amount of $47.5 million, MRST included, GST extra as applicable, be approved for Request for Proposal No. 659-2018B, Design Build of NEWPCC Upgrade: Headworks Facilities project, for a total revised contract value of up to $376,082,909.00 MRST included and GST extra as applicable.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda – Executive Policy Committee – September 16, 2025

Report – Standing Policy Committee on Water, Waste and Environment – September 9, 2025

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On September 9, 2025, the Standing Policy Committee on Water, Waste and Environment concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Request for Budget Revision for the NEWPCC Upgrade: Power Supply and Headworks Facilities and Approval of Contract Over-Expenditure No. 14 Request for Proposal No. 659-2018B

Critical Path: Standing Policy Committee on Water, Waste and Environment – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
C. D. Wiebe, P.Eng., CAMP, Manager of Engineering Services	T. W. Shanks, M. Eng, P. Eng, Director, Water and Waste	T. Graham	J. Dunford

EXECUTIVE SUMMARY

The Public Service requests approval to increase the North End Sewage Treatment Plant (NEWPCC) Upgrade: Power Supply and Headworks Facilities budget by $47.5 million. The additional budget is required for the Headworks construction contract (RFP No. 659-2018B) to resolve a disagreement on a contract relief event, resolve other potential claims, and restore project contingency funds. Funding for this budget increase is available in the current 2025 balance of the Environmental Projects Reserve (EPR).

Most of this increase is related to the contractor's claim for COVID-19 pandemic related cost escalation, discussed in the project status reports to the Standing Policy Committee on Finance and Economic Development most recently on June 10, 2025. The contract, awarded in 2021, includes terms for relief events, including terms for certain pandemic related issues. In 2022, the contractor provided notice of cost escalation occurring. The Public Service and contractor disagreed on the applicability of the relief event clause and the issue remained outstanding until final costs were provided in 2024.

The Public Service engaged third party consultants for assistance and expert review of contract conditions, legal options, and contractor cost data. Discussions with the contractor have resulted in an agreement to resolve the escalation claim, as well as other pending items, for a total cost of $47.5 million, pending Council approval of this budget revision. The Public Service believes the proposed agreement provides a net value for the City and avoids the risk of arbitration, which is likely to significantly increase overall costs.

Combined with the previous budget increase, the amended project budget will be $565.4 million. This represents a nine percent increase over the current Council-approved budget of $517.85 million for the NEWPCC Headworks and Power Supply capital budget (shown in the following table).

NEWPCC Headworks and Power Supply Capital Budget	Current Amended Budget (millions)	This report (millions)	New amount (millions)	This report % change
Power Supply	$52.28			
Headworks Facilities – other	$136.99			
Headworks 659-2018B Contract	$328.58	+ $47.5	$376.08	14%
Total	**$517.85**		**$565.35**	**9%**

Subject to Council approval of the amended budget, the Public Service also requests approval for an over-expenditure for RFP No. 659-2018B in the amount of $47.5 million to resolve these issues, funded by the project budget increase above. This brings the revised value of the Headworks Contract (659-2018B) to $376.1 million.

RECOMMENDATIONS

1. That a budget increase of $47.5 million be approved for the NEWPCC Upgrade: Power Supply and Headworks Facilities Capital Budget to be funded through Environmental Projects Reserve.

2. That Contract Over-Expenditure No. 14 in the amount of $47.5 million, MRST included, GST extra as applicable, be approved for Request for Proposal No. 659-2018B, Design Build of NEWPCC Upgrade: Headworks Facilities project, for a total revised contract value of up to $376,082,909.00 MRST included and GST extra as applicable.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required to modify the Capital Budget of a project.

On February 27, 2025, Council delegated authority to the Chief Administrative Officer to approve contract over-expenditures for NEWPCC Upgrade: Power Supply and Headworks Facilities projects where the accumulated contract over-expenditure does not exceed the contingency allowance. As the monies for this over-expenditure are not currently available within the applicable capital budget's contingency allowance and are contingent upon Council approving the budget increase, Council approval is requested for Over-Expenditure No. 14.

IMPLICATIONS OF THE RECOMMENDATIONS

NEWPCC Upgrade: Power Supply and Headworks Facilities Capital Budget Amendment

Approval of the recommendations in this report will increase the capital budget for the NEWPCC Upgrade: Power Supply and Headworks Facilities by $47.5 million. This can be funded by the current balance in the EPR, so there is no immediate impact on sewer rates.

Failure to increase the capital budget for the project will prevent resolution of the items discussed in this report, and risk exposure to an arbitrated settlement with costs exceeding $47.5 million.

Contract Over-Expenditure

Contingent upon the $47.5 million budget increase, and following approval of this over-expenditure, $24.8 million will remain available from a revised total of $565.4 million in the Capital Budget for NEWPCC Upgrade: Power Supply and Headworks Facilities project, Account Distribution No. 444 181000 200752 203110013B.

Economic Impact Analysis (EIA)

The estimated direct and indirect economic impact of this expenditure is:

Economic Impact	Manitoba	Rest of Canada
Gross Domestic Product (GDP)	$14.6 million	$4.1 million
Person Years of Employment	95	27
Federal Government Tax Revenue	$5.0 million	$0.1 million
Provincial Government Tax Revenue	$4.7 million	N/A

Source: Statistics Canada. Table 36-10-0595-01 Input-output multipliers, detail level.

The evaluated expenditure for this project is $47.5 million. The expenditure and estimated impacts are measured in 2025 dollars. Contingency and internal staff costs are excluded from the analysis. Some additional elements of the expenditure may be excluded to align with macroeconomic accounting principles.

The 2021 GDP at basic prices simple multipliers for other engineering construction [BS23C500], cement and concrete product manufacturing [BS327300], architectural, engineering and related services [BS541300], and tax specific calculations were used to assess this expenditure.

Federal and provincial government tax revenue estimates include GST, MRST, personal income taxes, corporate income taxes and other sources of taxes and fees. These are estimated using the multipliers noted above in conjunction with effective tax rates calculated from the economic accounts produced by Statistics Canada.

HISTORY/DISCUSSION

The Design Build Agreement (DBA) for the Headworks construction contract, RFP No. 659-2018B, with Red River Solutions (RRS) included provisions for the COVID-19 pandemic. These provisions provide for relief in the event that the impact of the COVID-19 pandemic increases in intensity and severity in a manner that is materially adversely different than documented in the DBA.

In early 2022, RRS submitted a notice of a possible relief event associated with the COVID-19 pandemic (the COVID claim). There was various correspondence on the issue between the City and RRS following the initial notice. However, the full impact was not quantified until recently when the extent of the impact was known by RRS.

In order to properly assess the contract justification and the financial details of the COVID claim, the Public Service retained external legal services and a quantification expert with experience in COVID-related settlements. RRS's COVID claim was then reviewed in terms of:

- If the contract allows these costs to be claimed (legal entitlement)
- The applicability of costs claimed (are the costs presented legitimate)
- What additional costs could be included in the claim if it proceeds through the later stages of the DBA's dispute resolution process
- Cost of legal and expert witnesses if the matter proceeds through the later stages of the DBA's dispute resolution process
- What the outcomes of similar cases have been

Considering the above, a proposed resolution, subject to Council approval, on this matter was agreed to by the Public Service and RRS. The resolution includes the following:

- Resolution of the COVID relief event contract dispute valued at $31.2 million
- Resolution of other non-COVID outstanding claims valued at $16.3 million (outfall conditions, PLC panel changes, surge well, Loop drawings, permit delays)
- Addition of a new milestone for facility in-operation (with associated liquidated damages)
- An extension to the project schedule of five months

The capital budget has an existing contingency of $24 million (including $22.5 million in available funds and an assumed $1.5 million in insurance proceeds for the ongoing Northwest Interceptor claim). In order to successfully deliver the remaining work, the Public Service recommends maintaining this full amount in the contingency. This results in a net increase to the project budget of $47.5 million, as shown in the following table.

Item	Amount (thousands)
COVID relief event contract conditions	$31,200
Pending contract claims	$16,300
Less existing contingency and insurance proceeds	($24,000)
Contingency replacement for remainder of work	$24,000
Total	**$47,500**

A revised capital project detail sheet is included in Appendix A. The budget amendment will increase the NEWPCC Upgrade: Power Supply and Headworks Facilities Capital Budget to $565.4 million. Combined with the previous budget amendment, this represents an increase over the original project budget of 19 percent.

Contract Over-Expenditures

On June 11, 2021, RFP No. 659-2018B for Design Build of the NEWPCC Upgrade: Headworks Facilities project was awarded to RRS in the amount of $271.6 million, MRST included, GST extra as applicable.

Various non-monetary changes have been approved by the Director of the Water and Waste Department. Those changes, along with all monetary changes approved by the Chief

Administrative Officer (CAO), Standing Policy Committee on Water, Waste and the Environment, and Council in Over-Expenditures No. 1 through 13, are summarized in Appendix B: Change History. Total contract over-expenditures to date are up to $57.0 million.

The contract change that is covered in this report will result in an increase of $47.5 million to the Contract Price.

Combined with prior approved over-expenditures, including the northwest interceptor failure ($35.7 million) and significant relief events such as soil contamination ($3.2 million), differing ground conditions ($8.2 million), and design code changes ($2 million), the revised total Contract Price of $376.1 million exceeds the original contract by 38 percent.

The Public Service is satisfied that the $47.5 million increase in costs is reasonable and recommend approval of this over-expenditure.

The financial status of the Design Build of NEWPCC Upgrade: Headworks Facilities Project is as follows:

Contract Award Amount (includes MRST)			$	271,611,000.00
Previous Over-Expenditure	$	56,971,909.00		
Amount of this Recommendation		47,500,000.00		
Est. Engineering Cost		-		
Est. Manitoba Retail Sales Tax		-		
Est. Self Assessed MRST		-		
Corporate Interest Charges		-		
Corporate Administrative Charges		-		
Total Estimated Value of Extra Work	$	104,471,909.00	$	104,471,909.00
Estimated Final Contract Amount			$	376,082,909.00

Upon approval of the $47.5 million capital request, the financial status of the NEWPCC Upgrade: Power Supply and Headworks Facilities Project will be as follows:

Authorized Capital (includes MRST)			$	565,355,000.00
Amount of Previous Awards or Expenditures	$	492,806,085.36		
Amount of this Award		47,500,000.00		
Est. Engineering Cost		-		
Est. Manitoba Retail Sales Tax		-		
Est. Self Assessed MRST		-		
Corporate Interest Charges		-		
Corporate Administrative Charges		-		
Total Estimated Cost	$	540,306,085.36	$	540,306,085.36
Estimated Residual for Remaining Projects			$	25,048,914.64

FINANCIAL IMPACT

Financial Impact Statement

Date: August 13, 2025

Project Name:

First Year of Program **2025**

REQUEST FOR BUDGET REVISION FOR THE NEWPCC UPGRADE: POWER SUPPLY AND HEADWORKS FACILITIES AND APPROVAL OF CONTRACT OVER-EXPENDITURE NO. 14 REQUEST FOR PROPOSAL NO. 659-2018B

	2025	2026	2027	2028	2029
Capital					
Capital Expenditures Required	$ 47,500,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ 47,500,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	47,500,000	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 47,500,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 47,500,000				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Funds in the amount of $47.5 million will be temporarily transferred from approved funds in the NEWPCC Upgrade: Biosolids Facilities Project, Account Distribution No. 444 181000 200752 203110028B to the NEWPCC Upgrade: Power Supply and Headworks Facilities Project, Account Distribution No. 444 181000 200752 203110013B in order to fund Over-Expenditure No. 14. The total cost of the capital budget increase will be funded from the Environmental Projects Reserve (EPR).

Lucy Szkwarek, FCPA, FCGA

Lucy Szkwarek, FCPA, FCGA
Manager of Finance and Administration

bah
11-Aug-25

CONSULTATION

This Report has been prepared in consultation with:

- Legal Services Department
- Purchasing Division, Corporate Finance Department

OURWINNIPEG POLICY ALIGNMENT

This report is in accordance with the OurWinnipeg 2045 policies Policy 2.17 Regional Water Resource Management, by protecting local and regional watershed resources from the negative impacts of development, flooding and pollution.

> Objective: Protect and value ecosystems as essential components to quality of life through municipal activities and urban environment.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (WCAP) and its Goals and Objectives. It was determined that the WCAP is not applicable to this specific report.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (WPRS) and its Goals and Objectives. It was determined that the WPRS is not applicable to this specific report.

SUBMITTED BY

Department: Water and Waste
Division: Engineering Services
Prepared by: A. Weiss, P. Eng.
Date: July 30, 2025
File No.: S-1204-4

ATTACHMENTS:
Appendix A: 2025 Capital Budget Detail Sheet for NEWPCC Upgrade: Power Supply and Headworks Facilities
Appendix B: Scope Change and Over-Expenditure History